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Text:

C O N F I D E N T I A L   ABU DHABI 03440

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    ACTION: ECON
    INFO: AMB DCM POL FCS P/M

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: AMB:MJSISON
DRAFTED: ECON:OJOHN
CLEARED: CGD:JDAVIS

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TO RUEHC/SECSTATE WASHDC IMMEDIATE 1034
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEHLO/AMEMBASSY LONDON PRIORITY 0928
RUEHFR/AMEMBASSY PARIS PRIORITY 0955
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 003440

SIPDIS

DEPT FOR NEA/ARPI, EB/ESC/TFS, EB/ESC/IPC
WHITEHOUSE FOR OVP - KEVIN O'DONOVAN

E.O. 12958: DECL: 08/08/2015
TAGS: EPET ENRG ECON PREL IR TC
SUBJECT: ABU DHABI AWARE OF SHARJAH AND IRANIAN GAS

REF: ABU DHABI 3237

Classified By: Ambassador Michele J. Sison for reasons 1.4 (b & d)

¶1. (U) This is an action request. Please see para 9.

¶2. (C) Summary: Abu Dhabi Executive Council member Khaldoon
Al-Mubarak told Econchief that Abu Dhabi emirate leadership
was aware of the planned Crescent petroleum project to pipe
Iranian gas to the UAE and was trying to develop an
appropriate solution. Al-Mubarak noted the sensitive nature
of the UAE's relations with Iran, which occupies three
islands claimed by the UAE, including one claimed by the
Emirate of Sharjah. Crescent Petroleum, which allegedly
signed the deal with Iran, announced the formation of a new
company Dana Gas (and a planned IPO) to handle the gas
imports. Although the press has widely reported that the
source of the gas is Iran, Crescent has never publicly
confirmed the source of the gas. The project would involve
piping gas from Iran's Salman field to an offshore facility
in Sharjah. The gas would be brought into the UAE for use in
the country's northern emirates. Al-Mubarak stressed that
there was no Abu Dhabi emirate government investment in the
project. Local press reporting provides more detail on the
creation of Dana Gas and its planned IPO. End Summary.

¶3. (C) On July 26, Econchief raised the Dana Gas IPO with Abu
Dhabi Executive Council member and Mubadala CEO Khaldoon
Al-Mubarak. Al-Mubarak clearly expected the conversation,
noting that it was clear that there was a relationship
between Crescent Petroleum and Iran. Al-Mubarak said that

senior Abu Dhabi emirate officials were "aware of the situation" and trying to come up with an appropriate solution. Econchief stressed U.S. concerns about investments in the Iranian oil and gas sector. Al-Mubarak admitted that he had thought that they had successfully shut down the project but that it "was still very much alive."

¶4. (C) Al-Mubarak explained that the Crescent deal with the Iranian National Oil Company would involve piping gas from Iran's Salman field (shared with the Emirate of Abu Dhabi) to Crescent's offshore Mubarak platform. The gas would be used in the northern emirates. Al-Mubarak stressed that no gas was flowing and that there was no Abu Dhabi government investment in the project.

¶5. (C) Al-Mubarak reiterated that the position of Abu Dhabi emirate leaders was that any decision to sign an international oil or gas deal is a federal decision. He emphasized, however, that the emirate of Abu Dhabi had a "complicated" and "sensitive" relationship with both Iran and the emirate of Sharjah: A relationship that needed to be managed carefully. (Note: The emirate of Sharjah claims the -- Iranian occupied -- Abu Musa Island. Sharjah's ruler is also known for his -- relatively -- conservative Islamic beliefs and ties to Saudi Arabia. End Note.)

¶6. (U) The UAE press has provided a number of details regarding Crescent Petroleum and the Emirate of Sharjah,s planned initial public offering (IPO) of Dana Gas in September. The new company, Dana Gas, will undertake the Sajaa Gas Ltd. (Sajgas) project to pipe gas to the UAE. (Note: Although the press has reported that this will be Iranian gas, Crescent has not publicly confirmed the source of the gas.) Dana Gas will be capitalized at 6 billion dirhams ($1.63 billion). Dana Gas will also be the region,s first private sector gas resource company to have a public listing, when trading begins on the Abu Dhabi Stock Market following the IPO.

¶7. (U) The IPO will be for 35 percent of the new business, or $572 million. Of the remaining 65 percent, the original founders will hold 32.7 percent ($534 million). These original founders include Crescent Petroleum, the government of Sharjah, Bank of Sharjah and individuals from the Gulf region. The other 32.3 percent ($528 million) will go to new founding investors, &comprising reputable institutions, companies and individuals from all over the Gulf, building upon the growing spirit of private sector cooperation and the increasing trend for cross-investment across the region,8 according to a press statement. The Memorandum and Articles of Dana Gas stipulate that at least 51 percent of the company must be owned by GCC citizens, allowing foreign ownership of up to 49 percent.

¶8. (U) Dana Gas will fully merge Sajgas and the United Gas Transmissions Company, both currently held by Crescent Petroleum, the Sharjah government and other founding investors. Dana Gas will also take a 35 percent share of Crescent Natural Gas Company, of which Crescent Petroleum will hold onto a 65 percent share. Dana Gas expects its initial customers to include federal, Sharjah, and Dubai utilities providers, Dubai Gas Company (Dugas) and the Dubai Supply Authority. Dana forecasts first-year 2006 profits to be $73 million for its gas supply business, according to news sources.

¶9. (C) Action Request: Embassy and ConGen Dubai would welcome cleared language from the Department for use with the UAEG and the ruler of Sharjah as we attempt to convince them to stop this unwelcome project. Given the September timeline for the Dana IPO, the window of opportunity appears limited.
SISON